

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN DON HARGROVE**, on March 27, 2001 at 10:00 A.M., in Room 335 Capitol.

ROLL CALL

Members Present:

Sen. Don Hargrove, Chairman (R)
Sen. John C. Bohlinger, Vice Chairman (R)
Sen. Edward Butcher (R)
Sen. Pete Ekegren (R)
Sen. Jim Elliott (D)
Sen. Eve Franklin (D)
Sen. Ken Toole (D)

Members Excused: Sen. Fred Thomas (R)

Members Absent: None.

Staff Present: Lynette Brown, Committee Secretary
David Niss, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HJ34, 3/26/2001
Executive Action: HJ 34

{Tape : 1; Side : A; Approx. Time Counter : 0}

HEARING ON HJ 34

Sponsor: REP. DICK HAINES, HD 63, Missoula

Proponents: John Northey, legislative auditor

Opponents: None

Opening Statement by Sponsor:

REP. DICK HAINES, HD 63, Missoula, told the committee this would direct the Department of Administration to conduct an analysis and propose funding for the unfunded leave liability for state employees. He stated there were a large number of state employees coming up for retirement; when they retire, they were allowed to take with two times their annual leave and 25% of their sick leave in cash. **REP. HAINES** said those funds could no longer be charged to federal funds unless the sick leave or annual leave was earned. He said it was estimated the cost would be around \$51 million in the general fund and \$25 million elsewhere in unfunded liability.

Proponents' Testimony:

John Northey, legislative auditor, said currently when a state employee terminated employment or retired, the accrued leave was paid out of whatever funds were available since there were not funds set out to pay for the leave. He added the Governmental Standards Boards was now requiring the unfunded liability be reported on the face of the state's financial statements as a liability. **Mr. Northey** said this would be a significant change in reporting. He stated there had been a disproportionate amount of general fund money used to pay these accrued leave balances. **Mr. Northey** said the federal government stated if a program was not in place allocating costs, then you could not charge the accrued leave to the federal funds. He told the committee the currently accrued leave may be able to amortized over a period of time in compliance with federal guidelines. **Mr. Northey** said whatever system was arrived at needed to comply with the GAZBY reporting requirements.

Opponents' Testimony: None**Questions from Committee Members and Responses:**

SEN. ED BUTCHER asked **Vicki Rauser, Legislative Audit Division,** what the annual cost for this was. **Ms. Rauser** said the amount of money paid out during fiscal year 2000 for compensated absences was \$10 million and the special revenue funds was approximately \$14 million. The termination expenditures reported for that year were \$1.1 million for the general fund and \$1.7 million for the special revenue funds.

SEN. BUTCHER asked **Vicki Rauser** if there were a lot of people who tended to accumulate the two years worth before they left. **Ms. Rauser** answered she did not have those figures.

SEN. DON HARGROVE told **Vicki Rauser** he had been under the impression these had been included in the retirement fund. **Vicki Rauser** replied that would be a topic the Department of Administration could discuss as a result of this resolution.

SEN. HARGROVE asked **Vicki Rauser** if the federal government had been paying a lot of this money in the past. **Ms. Rauser** answered the amounts of pay-outs being charged to the federal governments in the past had varied over the years. She said some of the agencies had developed leave pools, with audit concerns relating to the rates for those leave pools. **Ms. Rauser** said in conjunction with the findings from GAZBY 34 prompted the audit committee to propose this resolution.

Closing by Sponsor:

REP. DICK HAINES, HD 63, Missoula, told the committee this was a significant problem which needed to be addressed. **REP. HAINES** closed HJ 34.

ADJOURNMENT

Adjournment: 10:20 A.M.

SEN. DON HARGROVE, Chairman

LYNETTE BROWN, Secretary

DH/LB

EXHIBIT (sts69aad)